

Conducting a Space Audit

The audit is used to verify that a site's physical inventory matches its computer inventory. It involves running a rent roll (All Spaces) or walk-through report from the management software and inspecting the property to verify the status of each and every unit. Your units are the life blood of the facility's income stream, so it's critical that they be controlled, counted and checked.

ALL units should be secured at all times. Requiring that all units be secured at all times is just good business. Verifying all units is a good way to ensure tenants' goods are secure, overlocks are used and removed as required, daily lock checks are completed correctly by staff, and there are no discrepancies between the computer logs and the property. If your units are not closely monitored, you may be losing rental income.

When conducting a unit inventory, look for the following:

All rented units have a tenant lock in place.

The lock is locked, the hasp is closed and the door is secured correctly.

A lock sticker is in place (if used at your site).

Overlocks are in place if the unit is unpaid.

Tenants are closing and locking unit doors properly.

There are no rented units using company locks for any reason (including conversion units)

All vacant units are secured with a company lock and are clean and ready to rent.

The Audit

All vacant spaces should be opened. If you can't examine all vacant units, inspect random ones. If you discover a pattern that is unsatisfactory, then check all vacant spaces. It may be an isolated incident or an indicator of a problem pattern. Inspecting vacant units for cleanliness can uncover an unknown leak, bad door spring, rodent or pest troubles, or other issues you wouldn't want revealed in the presence of a prospect.

Occasionally, you may find customer goods in a vacant unit. This could mean a manager is renting out the unit and collecting the money off the books. Or it may be a tenant had too much stuff to fit in his unit and is using this space as overflow without a lease or payment. You can also verify that the size listed in the computer matches the size of the unit. It is not unusual to find incorrect square footage totals due to conversions.

Here are some other factors to be aware of while conducting an audit:

Holding vacates. A unit should be vacated from the system on the day the tenant indicates he is moving out. Managers should first inspect the empty unit, making sure the lock has been removed, the unit is clean and empty, and all stipulations outlined in the rental agreement have been followed. Units that have been vacated by the tenant but not from the system will artificially inflate the occupancy at the site and keep a unit from being re-rented.

Units on site but not on the reports. Managers should not be able to add or delete units in the software system. It is too easy to delete a unit from the software and then rent it on the side for cash. An easy check for this is to make sure the total number of units in the management software remains the same—unless you have made changes due to conversions, unit additions, etc.

A tenant lock on a unit listed as vacant. This is a huge red flag. Did a tenant move into the wrong unit? Was the lease put into the computer incorrectly? Do you have a squatter who moved into an unlocked unit without your knowledge, a lease or payment? If you can't get to the reason, it's wise to overlock the unit so no one can enter and wait to see if someone inquires. (In at least two current court cases, tenants were awarded damages because of renting/moving into the wrong unit).

Overlock issues. If you find a number of units that should be overlocked and are not, your staff is not completing the delinquency process as they should. While this may not be manager theft, it is negligence of duty since your manager is not following the process in place to reduce your risk of monetary loss. It also makes it possible for past due tenants to vacate without paying rent.

On the flip side, managers who do not remove the overlock from a paid tenant's unit in a timely manner can cause unnecessary customer service problems for tenants and your business. It's easy to identify when the overlock should have been removed by looking at when the payment was made. This is a simple training issue. Good managers understand the importance of keeping up on the overlock process. If this continues to be a challenge, there are likely other staff issues that have not yet been revealed.

Company units. Units used for golf carts, merchandise, HVAC, electrical, elevators and janitorial supplies should be reviewed during the unit inventory as well. Use this review as an opportunity to open all locked doors and see what's inside. There should never be tenant goods in any of these units. One may consider removing some units permanently from inventory if they will forever be unrentable.

Company units should be clean, organized and well kept. Supplies and company equipment should be properly stored and maintained. Units holding critical elements that support site operation such as electrical, elevator or HVAC rooms are not intended to be packed with site supplies, decorations, excess merchandise and such. A manager's personal property should never commingle with company items in any unit.

Determine if company units can be consolidated to free up space that can produce rental income. It may be convenient to have the company unit right up front where it's close for staff use; but if it's a unit that can get a premium on the rental rate, is a size that's in high demand or limited supply, or is in a desirable location for tenants, it's best to move the company unit.

Manager units. Many sites offer the use of a storage unit to the site manager during his employment. These should be chosen by the supervisor and should also be in a less desirable location or unit. These units should also be on a lease.

Other valuables. While conducting your audit, make sure other items are locked down as well. These include items that shouldn't be used, manipulated or stolen such as electrical outlets, thermostats, breaker boxes, fire-extinguisher boxes, HVAC switches, etc. If it can be stolen or destroyed, it probably will be.

Your units are your money-makers. A regular lock check and unit inventory is the best way to ensure everything is clean, correct, secure and in good working order. An unannounced audit is the best way to get a true picture of how the inventory is being managed.

If the lock check reveals unsatisfactory results, use this as an opportunity to review and clarify policy, and retrain and reconfirm staff commitment to the required tasks. Follow up with another audit within a reasonable time frame to make sure the issues have been resolved and the results meet your expectations. You and your site staff should be confident that your income-producing inventory is always correct.